Manitoba

Annual Report 1987

Manitoba Civil Service Superannuation Board

ADDRESS CHANGE EFFECTIVE IMMEDIATELY

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Manitoba

Minister of Finance

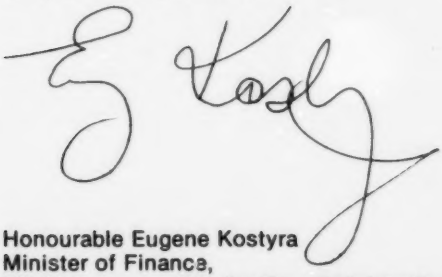
March 24, 1988

To The Honourable George Johnson
Lieutenant Governor of Manitoba

May It Please Your Honour:

As Minister responsible, I have the privilege of presenting for the information of Your Honour the Forty-Ninth Annual Report of the Civil Service Superannuation Board for the calendar year ended December 31, 1987.

Respectfully submitted,



Honourable Eugene Kostyra
Minister of Finance,
Minister responsible for the administration
of The Civil Service Superannuation Act

Manitoba

The Civil Service
Superannuation Board

March 24, 1988

Honourable Eugene Kostyra
Minister of Finance
Room 103 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Sir:

In conformity with the provisions of the Civil Service Superannuation Act, I am pleased to forward to you, the Minister Responsible for the administration of The Civil Service Superannuation Act, the 49th Annual Report of the Manitoba Civil Service Superannuation Board.

This report covers the period January 1, 1987 to December 31, 1987 and includes a review of the Board's activities for that period as well as the Report of the Provincial Auditor and attached audited financial statements for that period and a summary of the Actuarial Report as at December 31, 1986.

Respectfully submitted,

R. E. Archer

R. E. Archer, Chairman
Civil Service Superannuation Board

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Introduction

This 49th Annual Report reviews and highlights the administrative and investment activities of the Civil Service Superannuation Board for the calendar year 1987.

The Civil Service Superannuation Board was established under subsection 5(1) of The Civil Service Superannuation Act (Act) in May, 1939.

The Board is comprised of four elected representatives of employees participating in the Fund and four employer representatives plus a chairman who are appointed by the Government.

The Board is responsible for the administration of the provisions of the Act in providing benefits for employees of the Province of Manitoba and its related Boards, Commissions, and Agencies who participate in the plan.

As Trustees of the Civil Service Superannuation Fund, the Board also has fiduciary responsibilities for ensuring that investments are made on the direction of the Investment Committee which is a sub-committee of the Board comprised of a Board member nominated by the elected employee representatives, the Deputy Minister of Finance, and a chairman who is also the chairman of the Board.

The Board is responsible for administering the Act which involves collecting superannuation contributions deducted from employees by participating employers, investing and monitoring investments, paying refunds on termination, negotiating reciprocal agreements to provide portability of pensions, paying pensions on retirement, counselling employees (including spouses), providing informational and pre-retirement seminars, providing annual benefit statements, preparing brochures outlining the benefits, newsletters, financial statements and an annual report.

The Board operates within the guidelines, regulations and legislation contained in The Pension Benefits Act of Manitoba, which is an Act legislated to provide conformity and regulation of all pension plans administered in the Province of Manitoba.

In October, 1968, the Board began to administer the group insurance plans for all participating employers. The Public Servants Insurance Act provides group life insurance, accidental death and dismemberment insurance and dependents insurance for participating employees. The Board collects insurance contributions on behalf of Canada Life (the insurance carrier), pays the necessary premiums, preaudits all insurance claims, prepares explanatory literature, provides informational counselling and invests the experience refunds which are held in a trust insurance fund. The Insurance Fund proceeds are used to subsidize post-retirement declining insurance benefits, provide continuing insurance while disabled, to stabilize the premium rate and may pay an insurance claim dividend when claims experience is more favourable than expected.

Since January 1, 1977, the Board has provided administrative and support services to the Municipal Employees Benefits Board. The Municipal Employees Benefits Board provides pension and group insurance benefits for approximately 2,200 employees of 265 municipal and quasi-municipal employers throughout Manitoba.

Civil Service Superannuation Board

Chairman

Mr. R. E. Archer
Executive Vice-President
Investments and Trusts
The Investors Group

Employee Representatives

Mr. C. Fordyce
Civil Service Representative

Ms. A. Hrenchuk
Manitoba Health Services Commission
Civil Service and Manitoba Health Services Commission Representative

Mr. H. G. Restall
Manitoba Telephone System
Manitoba Telephone System Representative

Mr. V. L. Schentag
Manitoba Hydro
Manitoba Hydro and Small Boards Representative

Employer Representatives

Mr. C. E. Curtis
Deputy Minister of Finance
Province of Manitoba

Dr. A. Decter
Medical Doctor

Mr. R. M. Fraser
Senior Vice-President
Energy Supply
Manitoba Hydro

Mrs. E. Hamerton
Retired

General Manager

Mr. W. Worosz

Director, Administrative Services

Mr. V. McLeod

Director, Financial and Computer Services

Mr. A. Borle

Director, Communication & Counselling Services

Mr. R. H. Covernton

Investment Officer

Mr. L. Fuller

Consulting Actuary

Mr. J. A. Turnbull, F.S.A., F.C.I.A.

Board Meetings

During the year the Board held 10 meetings and each of the Board committees held several meetings.

Highlights of 1987

	1987	1986
Book Value of Investments	$737,580,025	$650,687,293
Investment Income	$ 71,599,936	$ 67,246,296
Yield on Investments	10.7%	11.6%
Employee Contributions	$ 46,245,727	$ 43,000,860
Employer Payments	$ 27,908,206	$ 23,730,656
Pension Payments, etc.	$ 54,637,382	$ 47,106,830
Refund of Contributions & Interest	$ 5,104,541	$ 4,356,138
General Expenses—Net	$ 980,163	$ 723,669
Participants in Fund	29,626	28,750
Pensioners and Other Recipients	6,541	6,050

Actuarial Valuation

The triennial Actuarial Report on the Civil Service Superannuation Fund as at December 31, 1986 disclosed an actuarial surplus of $31,788,810 (surplus of $17,698,138 at December 31, 1983), of which $8,156,600 was attributable to excess interest earnings on the assets supporting the liabilities for current pensioners.

A summary of the Actuarial Report is included on pages 42-44 of this Annual Report.

Pension Benefits

During the year covered by this report, pensions and instalment refunds paid totalled $54,637,382, a net increase of $7,530,552 (16.0%) over 1986. There were 6,541 persons receiving pensions or contributions and interest in monthly instalments at December 31, 1987 as compared to 6,050 persons one year earlier. At December 31, 1987 there were:

1. 5,614 pensioners, 593 new retirements and 170 deaths for a net increase of 423 for the year;
2. 529 deceased pensioners' beneficiaries receiving pensions;
3. 393 spouses receiving the automatic pension payable to the spouse of an employee who dies with more than 10 years of service;
4. 1 deceased employee's spouse receiving contributions and interest in monthly instalments.
5. 4 employees' spouses receiving pensions because of marriage break-up.

Of the 436 new male pensioners, 114 retired at age 65 or later, 287 retired voluntarily before age 65 and 35, who were under age 60, were granted disability retirement. (For an employee who is age 60 or over, the pension for disability retirement is the same as for early retirement. The disabled employee who is over age 60 therefore applies for early retirement.

Of the 157 new female pensioners, 40 retired at age 65 or later, 100 retired voluntarily before age 65, and 17 who were under age 60 were granted disability retirement.

New 1987 pensioners include 29 former employees with vested benefits who commenced receiving their pensions during the year.

Integration with the Old Age Security Pension was selected by 273 male pensioners (85%) and 100 female pensioners (85%) who retired before age 65.

Integration with the Canada Pension was selected by 107 male pensioners (55%) and 36 female pensioners (46%) who retired before age 60.

Employees retiring during 1987 elected the following pension options:

	Males	Females	Total
Pension reducing to one-half at pensioner's death	36	6	42
Pension reducing to two-thirds at pensioner's death	313	37	350
Ten-Year guaranteed pension	10	11	21
Lifetime Pension *	70	100	170
Other	7	3	10
Total	**436**	**157**	**593**

***Note:** The majority of the pensioners who elected the lifetime pension were either single or had small pensions due to short service.

An amendment to the Pension Benefits Act effective January 1, 1984 requires that employees who at the time of retirement have a spouse must select a joint form of pension that at the death of the pensioner provides two-thirds of the pension to the spouse for life. This compulsory pension option may be waived if the employee's spouse completes a spousal waiver form.

There were also 68 employees who reached age 65 during 1987 and who continued to work into 1988. As at December 31, 1987, 167 employees were continuing to work past age 65 as follows:

Year of 65th Birthday	Number of Employees Working Past Age 65
1987	68
1986	37
1985	26
1984	11
1983	16
1982	9
Total	167

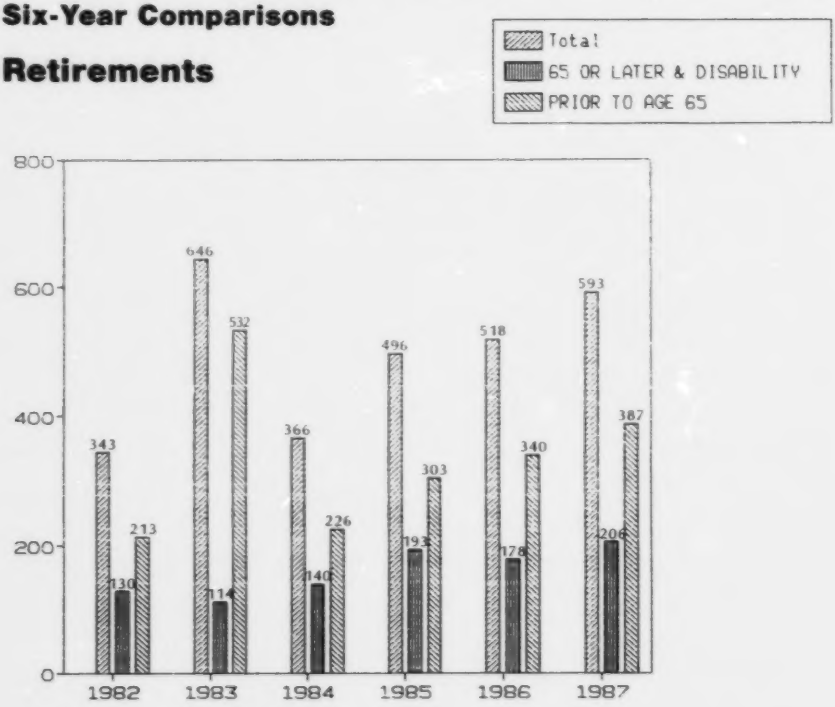
Cost-of-Living Adjustment in Pensions

Effective July 1, 1987 a cost-of-living adjustment was paid to eligible pensioners and to beneficiaries receiving pensions in respect of deceased pensioners who retired before July 1, 1986. The adjustment was limited to the extent that the amount in the separate Superannuation Indexing Adjustment Account was actuarially able to finance one-half of each increase. (See Exhibit D and Note 2(f) of the audited financial statements.)

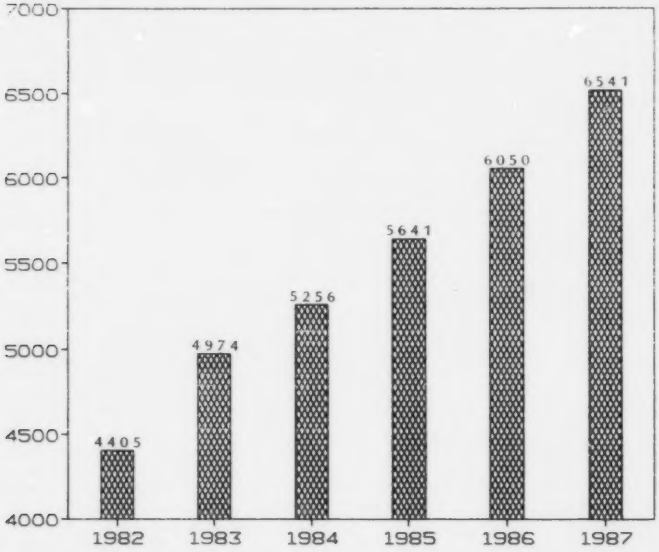
The cost-of-living increase is related to service and the amount of pension received was equal to 59¢ per month for each year of pensionable service to a maximum of 35 years plus 2.09% of the ordinary lifetime pension plus accumulated cost-of-living increases to date.

Six-Year Comparisons

Retirements

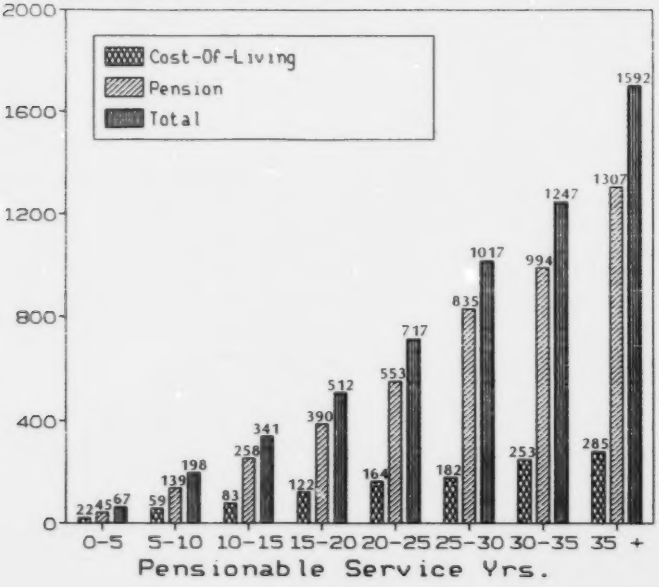


Pensioners/Recipients



Pension Amounts

Average Pension & C.O.L. ($)



Refunds

There were 1,249 employees who resigned and received refunds of contributions and interest amounting to $3,466,257. The estates of 23 employees who died received refunds of contributions and interest amounting to $208,224. These refunds are divided as follows:

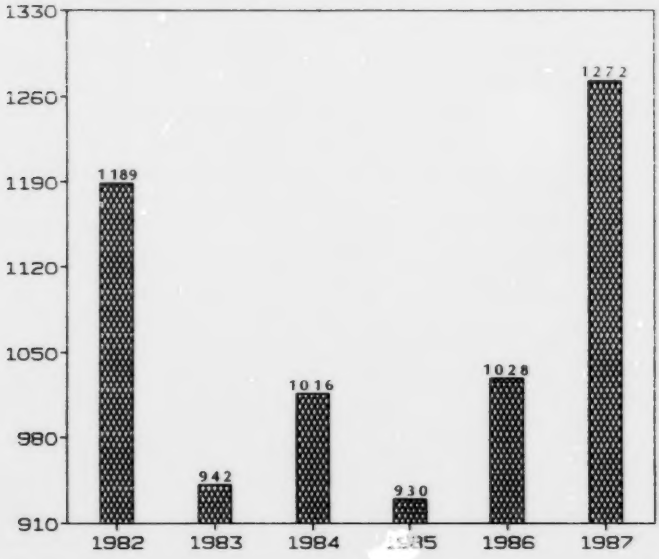
	Employees	Contributions Refunded	Interest Refunded
Alcoholism Foundation of Manitoba	9	$ 46,975	$ 4,367
Civil Service Superannuation Board	1	200	6
Housing Authorities	24	45,297	5,906
Legal Aid Services Society of Manitoba	7	31,050	4,086
Liquor Control Commission	23	58,166	9,303
Manitoba Agricultural Credit Corp.	5	22,844	3,048
Manitoba Civil Service	762	1,731,230	228,853
Manitoba Crop Insurance Corp.	8	10,795	1,319
Manitoba Data Services	16	67,017	10,500
Manitoba Government Employees' Assoc.	1	4,188	770
Manitoba Health Services Commission	25	82,614	14,933
Manitoba Horse Racing Commission	4	12,433	1,444
Manitoba Human Resources Opportunity Centres	4	2,570	100
Manitoba Hydro-Electric Board	97	261,496	37,195
Manitoba Lotteries Foundation	12	39,407	4,976
Manitoba Public Insurance Corp.	66	178,262	26,771
Manitoba Research Council	10	43,718	7,207
Manitoba Telephone System	170	473,767	83,035
Public Schools Finance Board	1	2,702	113
Teachers' Retirement Allowances Fund Board	2	1,661	76
Deferred Pension Accounts	14	77,675	17,199
Reciprocating Manitoba Accounts	11	16,540	2,667
Total	1,272*	$3,210,607	$463,874

*Includes 182 terminated employees who chose a deferred pension as well as a refund or transfer of funds.

There were also other refunds or transfers totalling $1,430,060 in respect of excess employee contributions at termination or retirement, pensioner deaths, commuted value payments and marriage breakdowns.

Six Year Comparison

Refunds to participants



Reciprocal Agreements

Reciprocal agreements permitting the transfer of pension credits between the Civil Service Superannuation Board and the following pension plan authorities were in effect on December 31, 1987:

Government of Canada—Treasury Board
The Province of British Columbia—Superannuation Commissioner
The Province of Alberta—Public Service Pension Board
The Province of Alberta—Public Service Management Pension Board
The Province of Alberta—Local Authorities Pension Board
The Province of Saskatchewan—Public Service Superannuation Board (Old Plan)
The Province of Saskatchewan—The Public Employees Superannuation Plan Supervisory Board (Money Purchase Plan)
The Province of Ontario—Minister of Government Services
The Province of New Brunswick—Minister of Finance
The Province of Newfoundland—Minister of Finance
The Province of Nova Scotia—Minister of Finance
The Province of Prince Edward Island—Minister of Finance
Canadian Broadcasting Corporation
Canadian Interagency Forest Fire Centre
Canadian National Railway
Canada Mortgage and Housing Corporation
City of Regina
Crown Investments Corporation of Saskatchewan
The Council of Maritime Premiers
Hy-Line Credit Union
Ontario Hydro
Ontario Municipal Employees Retirement Board
(a) Ontario Municipalities
(b) Ontario Council of Regents for the Colleges of Applied Arts and Technology
Saskatchewan Government Insurance
Saskatchewan Power Corporation Superannuation Board
The Teachers' Superannuation Commission of the Province of Ontario

	Transfers to Manitoba		Transfers from Manitoba	
	Number	Amount	Number	Amount
Government of Canada	17	$256,867	11	$144,585
Provincial Public Service				
Alberta	1	24,128	6	77,304
British Columbia	2	24,919	1	15,526
Ontario	3	30,775	-	-
New Brunswick	2	10,977	-	-
Saskatchewan	2	38,637	1	7,550
CBC	-	-	1	3,674
OMERS	1	22,118	3	53,297
1987 Totals	28	$408,421	23	$301,936
1986 Totals	26	$455,604	17	$282,718

Participants

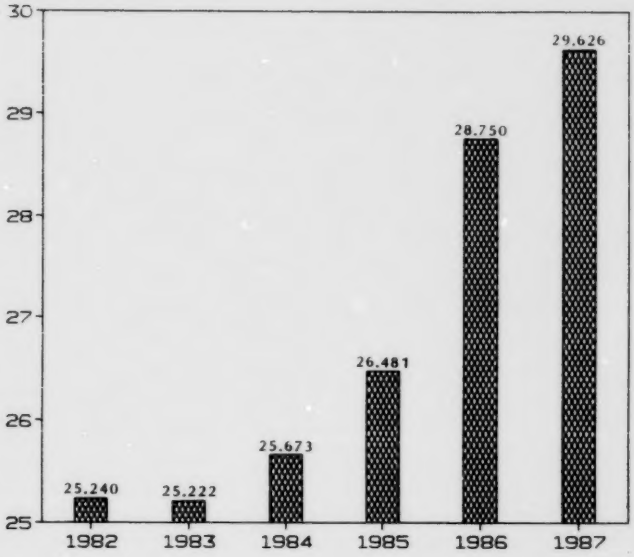
The number of participants in the pension plan increased by 876. The distribution of participants by employer as at December 31, 1987 was as follows:

	Males	Females	Total
Alcoholism Foundation of Manitoba	86	94	180
Civil Service Superannuation Board	10	17	27
Communities Economic Development Fund	9	10	19
Housing Authorities	138	98	236
Legal Aid Services Society of Manitoba	27	57	84
Liquor Control Commission	338	142	480
Local Government Districts	1	-	1
Manitoba Agricultural Credit Corp.	33	20	53
Manitoba Beef Commission	5	12	17
Manitoba Centennial Centre Corp.	44	25	69
Manitoba Civil Service	9,098	7,079	16,177
Manitoba Crop Insurance Corp.	142	60	202
Manitoba Data Services	128	91	219
Manitoba Development Corp.	6	2	8
Manitoba Energy Authority	6	5	11
Manitoba Government Employees' Assoc.	22	16	38
Manitoba Health Services Commission	198	522	720
Manitoba Hog Producers' Marketing Bd.	14	11	25
Manitoba Horse Racing Commission	5	3	8
Manitoba Hydro-Electric Board	3,305	687	3,992
Manitoba Human Resources Opportunity Centres	34	44	78
Manitoba Lotteries Foundation	69	32	101
Manitoba Milk Producers' Marketing Bd.	8	9	17
Manitoba Public Insurance Corp.	609	505	1,114
Manitoba Research Council	52	31	83
Manitoba Telephone System	2,635	2,182	4,817
Manitoba Turkey Producers' Marketing Board	2	4	6
Manitoba Water Services Board	19	-	19
Public Investments Corporation of Manitoba	3	2	5
Teachers' Retirement Allowances Fund Board	8	13	21
Universities Grants Commission	3	2	5
Deferred Pension Accounts	325	273	598
Manitoba Reciprocal Agreements	85	49	134
Pending Reciprocal Agreements	12	7	19
Pending Terminations	22	21	43
Total	17,501	12,125	29,626

Under Pension Reform, part-time, seasonal, casual or departmental employees must contribute to the Superannuation Fund after earning 25% of the maximum Canada pensionable earnings in two consecutive calendar years commencing with 1984.

Six Year Comparison

Participants (thousands)



Marriage Break-Up

Consistent with The Pension Benefits Act, The Civil Service Superannuation Act requires that when a marriage break-up occurs after December 31, 1983, 50% of the commuted value of pension benefits earned during the period of marriage must be transferred to a locked-in pension account of the spouse. One-half of the amount transferred to the spouse is recovered from the employers who do not match employee contributions. The following table compares activity during 1986 and 1987.

Annual Marriage Breakup Stats

	1986	1987
Opening in Process	71	102
New Applications	79	106
Transfers Completed	(48)	(96)
In Process at Year End	102	112
Total $ Transferred Out	$225,370.	$853,095.

Communication and Counselling Services

During 1987, the Civil Service Superannuation Board conducted 14 Information Seminars on Superannuation and Group Insurance benefits on the subjects of eligibility, entitlement to benefits, family protection, disability, death, etc., for employees of the government and its related boards, commissions, and agencies in major centres throughout Manitoba.

In addition, the Board conducted 22 one-day Pre-Retirement Planning Seminars which were attended by approximately 741 participants (employees and spouses) in major centres throughout the Province. Topics emphasized in the seminar content are benefit awareness and options concerning superannuation and group insurance for retirement. Topics also covered during the seminar are OASP, UIC, Blue Cross, estate planning as well as subjects related to retirement lifestyle planning such as the effective use of leisure hours, health, alternate lifestyles, etc. A pre-retirement information package including a Retirement Planning Guide prepared and printed by the Board staff is distributed to seminar participants and as part of the presentation, audio-visual aids are used along with a comprehensive film on the subject of retirement planning which reinforces the subjects covered in the seminar.

In addition to providing employees with their annual benefit statement with information on employee status, current and projected benefit entitlement, the Board provided several articles of interest on benefits for printing in various employee/employer newsletters.

Investments

The Fund's total assets were approximately $753 million as at December 31, 1987, an increase of 13.0% over 1986. Investment income increased $4.4 million or 6.47%. The net yield on the total Fund for 1987 was 10.7% versus 11.6% in 1986.

The Fund committed $15.2 million to mortgages at average yields of 10.3% plus $12.0 million to Guaranteed Investment Certificates at an average yield of 10.9% as an alternative to mortgages.

Also $.5 million was committed to oil and gas through Pension Fund Energy Petroleum.

The average yield on net bond purchases of $58.9 million in 1987 was 11.1%.

In the real estate field, the Fund committed $3.0 million and disbursed $1.4 million.

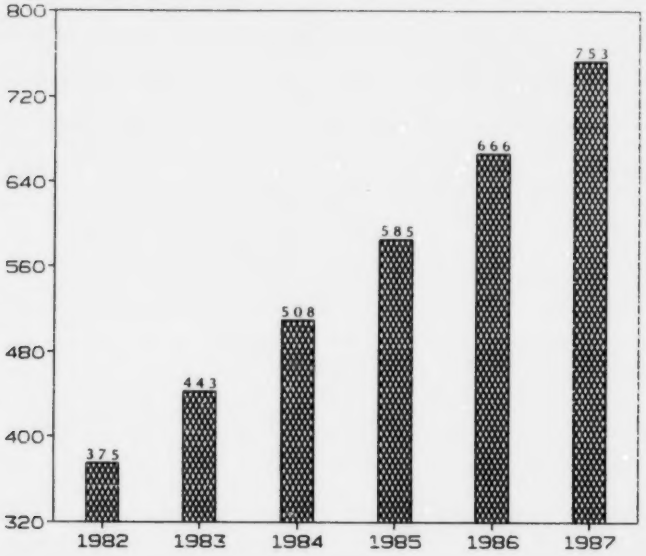
As at December 31, 1987, the Fund held $90.6 million in short-term paper, yielding an average of 8.76% versus $90.9 million yielding an average of 9.09% as at December 31, 1986.

The following comparative table illustrates the Fund's investment holdings:

	1987 (000's)	1986 (000's)	Increase (Decrease) (000's)
Bonds & Debentures			
Federal & Provincial	$ 99,972	$107,468	<$7,496>
City & Municipal	11,911	12,085	<174>
Corporate	243,719	166,630	77,089
Pooled Bond Funds	4,330	3,908	422
	359,932	290,091	69,841
NHA Mortgages	77,085	86,433	<9,348>
Other Mortgages	51,653	36,828	14,825
Pooled Mortgage Funds	7,242	6,526	716
	135,980	129,787	6,193
Other			
Common Stock	75,804	71,907	3,897
Real Estate	39,902	37,001	2,901
Petroleum & Natural Gas Interests	17,726	19,031	<1,305>
Venture Capital	4,006	2,552	1,454
	137,438	130,491	6,947
Short-term Certificates	90,550	90,903	<353>
Total	$723,900	$641,272	$82,628

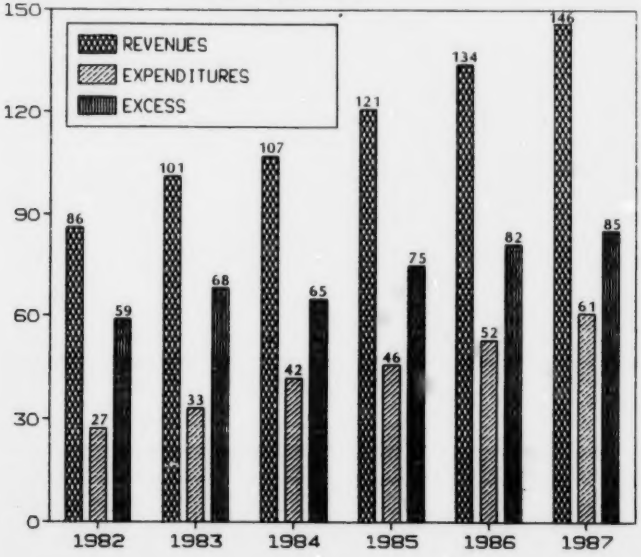
Six- Year Comparison

Fund Assets (Millions)



Six- Year Comparison

Revenues & Expenditures (Millions)



Changes in Status - Participants

For the year ended December 31, 1987

Males

Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1987
-19	11	3	-	-	15
20-24	289	84	-	-	947
25-29	259	126	1	-	1,911
30-34	167	101	1	1	2,745
35-39	149	85	2	-	2,994
40-44	76	56	4	1	2,728
45-49	58	35	3	3	2,162
50-54	49	17	5	6	1,829
55-59	33	14	5	147	1,348
60-	59	18	12	278	822
	1,150	539	33	436	17,501

Females

Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1987
-19	29	2	-	-	29
20-24	302	102	-	-	976
25-29	316	205	-	-	2,210
30-34	264	173	2	-	2,466
35-39	228	121	-	1	2,113
40-44	162	58	-	-	1,488
45-49	75	35	5	-	1,129
50-54	41	19	1	5	786
55-59	23	10	2	56	566
60-	10	8	3	95	362
	1,450	733	13	157	12,125
Totals	2,600	1,272	46	593	29,626

Changes in Status - Pensioners

For the year ended December 31, 1987

Males

Ages	Pensioners at Dec. 31, 1986	New Retirements	Deaths	Pensioners at Dec. 31, 1987
-59	409	158	8	455
60-64	760	153	18	844
65-69	1,059	117	20	1,134
70-74	728	8	22	775
75-79	396	-	23	429
80-84	175	-	16	202
85-89	59	-	10	56
90-	23	-	9	24
	3,609	436	126	3,919

Females

Ages	Pensioners at Dec. 31, 1986	New Retirements	Deaths	Pensioners at Dec. 31, 1987
-59	158	62	1	182
60-64	285	52	1	304
65-69	419	40	7	434
70-74	353	3	9	353
75-79	186	-	3	239
80-84	119	-	9	116
85-89	45	-	9	51
90-	17	-	5	16
	1,582	157	44	1,695
Totals	5,191	593	170	5,614

Board Members

The Board acknowledges with respect and appreciation the contributions made to the Board by Mr. D. Lofendale who served on the Board from March 1, 1985 to January 16, 1987.

The Board is pleased to welcome the appointment of Mrs. E. Hamerton.

Manitoba

The Civil Service Superannuation Fund

Report of the Provincial Auditor's Office

We have examined the financial statements, being Exhibits A to E and Schedules 1 to 4, of The Civil Service Superannuation Fund for the fiscal year ended December 31, 1987. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1987 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements on a basis consistent with that of the preceding year.

F. H. Jackson, C.A.
Provincial Auditor.

March 11, 1988,
Winnipeg, Manitoba.

Exhibit A
The Civil Service Superannuation Fund

Balance Sheet

as at December 31, 1987
(with 1986 figures for comparison)

	1987	1986
ASSETS		
Cash	$ 1,523,447	$ 690,233
Employees' and employers' contributions and payments receivable	604,088	434,190
Investments, Schedule 1, Note 2(b)	737,580,025	650,687,293
Accrued investment income	11,032,785	12,227,483
Debt due from the Province of Manitoba, Note 2(c)	1,826,300	1,826,300
Furniture, fixtures and equipment, Note 2(d)	1	1
Computer equipment, Note 2(e) at cost less accumulated amortization: 1987—$89,812 1986—$51,139	142,222	90,474
Computer programs development expenses, Note 2(e) at cost less accumulated amortization: 1987—$31,805 1986—$28,756	9,704	12,188
	$752,718,572	$665,968,162
LIABILITIES		
Accounts payable	$ 64,781	$ 23,283
Contributions received in advance	1,212,634	—
Money purchase accounts plan, Exhibit E, Note 5	356,445	151,059
Accumulated unrealized foreign exchange, Note 6	(168,072)	192,564
Provision for investment losses, Exhibit C, Note 2(b)(v)	1,435,204	697,624
Superannuation indexing adjustment account, Exhibit D, Note 2(f)	43,186,630	39,014,467
Reserve for present and future benefits, Exhibit B	706,630,950	625,889,165
	$752,718,572	$665,968,162

Exhibit B
The Civil Service Superannuation Fund

Statement of Changes in the Reserve for Present and Future Benefits

for the year ended December 31, 1987
(with 1986 figures for comparison)

	1987	1986
Additions:		
Employers' and employees' payments and contributions, Schedule 2	$ 74,153,933	$ 66,731,516
Investment income, net, Schedule 3	71,599,936	67,246,296
Interest on debt due from the Province of Manitoba, Note 2(c)	73,052	73,052
Bank and other interest	111,049	75,020
Total additions	145,937,970	134,125,884
Deductions:		
Superannuation and supplementary allowances	54,637,382	47,106,830
Refunds of contributions and interest	5,104,541	4,356,138
Payments of employee contributions to other pension plans	301,936	282,718
Administrative expenses, net, Schedule 4	980,163	723,669
	61,024,022	52,469,355
Transfer:		
Net transfer to superannuation indexing adjustment account, Exhibit D	4,172,163	4,263,415
Total deductions	65,196,185	56,732,770
Net increase for the year	80,741,785	77,393,114
Balance at beginning of year	625,889,165	548,496,051
Balance at end of year, Exhibit A	$706,630,950	$625,889,165

Exhibit C
The Civil Service Superannuation Fund

Statement of Changes in the Provision for Investment Losses

for the year ended December 31, 1987
(with 1986 figures for comparison)

	1987	1986
Addition:		
Transfer from investment income, Schedule 3	$ 737,580	$ 650,687
Total addition	737,580	650,687
Deduction:		
Net write-down of permanently impaired investments	—	847,050
Total deduction	—	847,050
Net increase (decrease) for the year	737,580	(196,363)
Balance at beginning of year	697,624	893,987
Balance at end of year, Exhibit A	$ 1,435,204	$ 697,624

Exhibit D
The Civil Service Superannuation Fund

Statement of Changes in the Superannuation Indexing Adjustment Account

for the year ended December 31, 1987
(with 1986 figures for comparison)

	1987	1986
Additions:		
Allocation of 10.2% of employees' contributions	$ 4,663,735	$ 4,332,794
Interest	4,762,586	4,293,988
Total additions	9,426,321	8,626,782
Deductions:		
Charge for one-half of all superannuation adjustments	5,254,158	4,363,367
Total deductions	5,254,158	4,363,367
Net transfer from reserve for present and future benefits, Exhibit B	4,172,163	4,263,415
Balance at beginning of year	39,014,467	34,751,052
Balance at end of year, Exhibit A	$ 43,186,630	$ 39,014,467

Exhibit E
The Civil Service Superannuation Fund

Statement of Money Purchase Accounts Plan

for the year ended December 31, 1987
(with 1986 figures for comparison)

	1987	1986
Additions:		
Deposits	$ 215,407	$ 92,305
Interest income	18,317	7,683
	233,724	99,988
Deductions:		
Refund of deposits	14,010	1,421
Transfer to Civil Service Superannuation Fund re annuity, Schedule 2	11,546	—
Administration fees charged by Civil Service Superannuation Fund	2,782	1,554
	28,338	2,975
Increase for the year	205,386	97,013
Balance at beginning of year	151,059	54,046
Balance at end of year, Exhibit A, Note 5	$ 356,445	$ 151,059

Schedule 1
The Civil Service Superannuation Fund

Summary of Investments

as at December 31, 1987

	Par Value	Book Value
Fixed income investments, Note 2(b)(i)		
Term deposits	$ 90,549,583	$ 90,549,583
Bonds and debentures		
Government of Canada	$ 41,675,000	42,798,572
Province of Manitoba	27,083,000	26,946,901
Province of Nova Scotia	1,600,000	1,600,000
Province of Ontario	24,625,000	24,626,828
Province of Saskatchewan	4,000,000	4,000,000
Hospitals	3,953,750	3,953,750
Municipal Corporations	7,928,000	7,957,280
Corporations	246,308,259	243,718,362
	$357,173,009	355,601,693
Pooled bond funds		4,330,069
		359,931,762
Mortgages		
Insured, National Housing Act (Canada)	$ 81,771,397	77,085,155
Uninsured	51,678,256	51,652,787
	$133,449,653	128,737,942
Pooled mortgage funds		7,242,247
		135,980,189
Unamortized losses (gains) on disposition		(138,626)
Total fixed income investments at amortized cost, carried forward		586,322,908

Schedule 1 continued
The Civil Service Superannuation Fund

Summary of Investments

as at December 31, 1987

	Par Value	Book Value
Total fixed income investments at amortized cost, brought forward		$586,322,908
Equity investments, Note 2(b)(iii)		
Common stock		2,396,232
Pooled equity funds		
Canadian		32,619,993
Non-Canadian		40,787,785
Petroleum and natural gas investments		
Shares and pooled funds		11,741,185
Investment in subsidiary, Notes 2(b)(ii) and 4		5,985,015
Venture capital, limited partnerships		4,006,315
Real estate, Note 2(b)(iv)		
Participating bonds		26,852,231
Qualifying shares		2,063,800
Units of pooled real estate		10,985,649
Accumulated unrealized appraisal adjustments		14,486,415
Unamortized losses (gains) on disposition		(667,503)
Total equity investments		151,257,117
Total investments, Exhibit A		$737,580,025

Schedule 2
The Civil Service Superannuation Fund

Statement of Payments and Contributions

for the year ended December 31, 1987

	Employers' payments and contributions	Employees' payments and contributions	Total
Province of Manitoba Civil Service	$13,097,300	$25,042,777	$38,140,077
Manitoba Telephone System	6,499,002	7,361,268	13,860,270
Manitoba Hydro-Electric Board	4,746,464	6,919,434	11,665,898
Liquor Control Commission	1,057,741	621,223	1,678,964
Manitoba Health Services Commission	469,571	1,019,217	1,488,788
Manitoba Public Insurance Corporation	138,771	1,728,723	1,867,494
Manitoba Agricultural Credit Corporation	69,592	106,822	176,414
Manitoba Crop Insurance Corporation	74,610	203,909	278,519
Manitoba Development Corporation	13,962	22,950	36,912
Communities Economic Development Fund	2,870	32,691	35,561
Teachers' Retirement Allowances Fund Board	—	36,564	36,564
Civil Service Superannuation Board	—	40,032	40,032
Workers Compensation Board	34,140	—	34,140
Manitoba Hog Producers' Marketing Board	31,934*	31,935	63,869
Local Government Districts	2,783*	2,783	5,566
Manitoba Government Employees' Association	65,911*	65,912	131,823
Universities Grants Commission	7,624	11,202	18,826
Manitoba Centennial Centre Corporation	42,361	86,763	129,124
Manitoba Milk Producers' Marketing Board	33,157*	33,157	66,314
Housing Authorities	253,799*	254,988	508,787
Manitoba Water Services Board	18,076*	18,076	36,152
Manitoba Turkey Producers' Marketing Board	9,242*	9,242	18,484
Alcoholism Foundation of Manitoba	41,606	301,553	343,159
Manitoba Horse Racing Commission	—	14,280	14,280
Manitoba Data Services	12,604	406,586	419,190
Manitoba Research Council	185,843*	147,272	333,115
Manitoba Beef Commission	25,841*	25,580	51,421
Manitoba Lotteries Foundation	1,875	153,239	155,114
Subtotal, carried forward	$26,936,679	$44,698,178	$71,634,857

*Employers' contributions based on employees' remuneration

Schedule 2 continued
The Civil Service Superannuation Fund

Statement of Payments and Contributions

for the year ended December 31, 1987

	Employers' payments and contributions	Employees' payments and contributions	Total
Subtotal, brought forward	$26,936,679	$44,698,178	$71,634,857
The Legal Aid Services Society of Manitoba	—	153,224	153,224
Manitoba Energy Authority	—	14,528	14,528
Public Schools Finance Board	—	1,048	1,048
Human Resources Opportunity Centres	92,201*	92,201	184,402
Public Investments Corporation of Man.	—	2,834	2,834
Employees on workers compensation	—	2,361	2,361
Employees on loan	19,862	19,862	39,724
Repayment of contributions previously refunded	—	75,250	75,250
Payments based on prior non-pensionable employment	859,464	748,136	1,607,600
Payments based on war service	—	18,138	18,138
Receipts from other pension plans re transfer of employee benefits under reciprocal agreements	—	408,421	408,421
Transfer from Money Purchase Plan, Exhibit E	—	11,546	11,546
Total payments and contributions, Exhibit B	$27,908,206	$46,245,727	$74,153,933

*Employers' contributions based on employees' remuneration

Schedule 3
The Civil Service Superannuation Fund

Statement of Investment Income

for the year ended December 31, 1987
(with 1986 figures for comparison)

	1987	1986
Fixed income:		
Interest	$ 59,278,295	$ 54,981,749
Foreign exchange, Note 6	(42,018)	48,141
Amortization of discounts (premiums), net, Note 2(b)(i)	342,235	416,111
Amortization of realized gains, Note 2(b)(i)	564,265	730,917
Transfer to provision for investment losses, Exhibit C, Note 2(b)(v)	(737,580)	(650,687)
	59,405,197	55,526,231
Equity income:		
Net income of the subsidiary, Note 4	576,545	754,343
Real estate dividends and interest, Note 2(b)(iv)	3,512,467	3,011,129
Other dividends and interest	4,832,667	3,000,511
Unrealized appraisal adjustments, Note 2(b)(iii)	3,343,558	5,109,820
Amortization of realized gains, Note 2(b)(iii)	204,172	36,976
	12,469,409	11,912,779
Gross investment income	71,874,606	67,439,010
Less, investment related expenses, Note 7	(274,670)	(192,714)
Total net investment income, Exhibit B	$ 71,599,936	$ 67,246,296

Schedule 4
The Civil Service Superannuation Fund

Statement of Administrative Expenses, Net

for the year ended December 31, 1987
(with 1986 figures for comparison)

	1987	1986
Salaries and fringe benefits:		
Salaries—permanent staff	$ 756,014	$ 622,937
Salaries—part-time staff	4,082	10,967
Fringe benefits	45,659	39,113
Pensions paid—employer cost	18,306	18,130
Health and post-secondary education tax levy	17,868	10,682
	841,929	701,829
Professional fees:		
Actuary—pension	83,728	45,334
Audit	35,975	33,200
	119,703	78,534
Computer related costs:		
Amortization of equipment	38,673	23,602
Amortization of program development expense	3,049	2,954
Maintenance and supplies	13,738	10,828
	55,460	37,384
Printing and stationery:		
Microfilming	4,471	3,282
Photocopy service	6,367	4,685
Printing	24,758	30,888
Stationery and supplies	24,980	22,055
	60,576	60,910
Other:		
Bank and investment management	21,945	22,113
Education	6,712	1,028
Furniture and fixtures	35,728	6,659
Machine rentals and servicing	6,657	3,589
Medical examinations	9,993	5,899
Miscellaneous	16,924	15,790
Seminars and travelling	11,856	13,194
Telephone, postage and delivery	33,181	21,407
	142,996	89,679
Subtotal, carried forward	$ 1,220,664	$ 968,336

Schedule 4 continued
The Civil Service Superannuation Fund

Statement of Administrative Expenses, Net

for the year ended December 31, 1987
(with 1986 figures for comparison)

	1987	1986
Subtotal, brought forward	$ 1,220,664	$ 968,336
Less:		
Operating recoveries:		
Public Service Group Insurance Fund administration	(79,237)	(117,410)
Municipal Employees Benefits Board administration	(52,729)	(41,419)
Money Purchase Accounts Plan, Note 5	(2,782)	(1,554)
Investment administrative expenses, Note 7	(105,753)	(84,284)
Total administrative expenses, net, Exhibit B	$ 980,163	$ 723,669

Notes to the Financial Statements

The Civil Service Superannuation Fund
for the year ended December 31, 1987

1. **Nature of the Organization**

The Civil Service Superannuation Fund is the pension plan for employees of the Government of Manitoba and its agencies as listed in Schedule 2. The employee contributions to the Fund and the employer contributions, where matching contributions are required, are administered by the Civil Service Superannuation Board. In addition, the Fund collects from the non-matching employers 50% of the monthly pension, including indexing adjustments, paid in respect of retired employees or surviving beneficiaries, and 50% of any vested amounts transferred out of the Fund on behalf of employees.

The Civil Service Superannuation Board was established under The Civil Service Superannuation Act in May, 1939 and is responsible for administering the Act.

2. **Significant Accounting Policies:**

The significant accounting policies are summarized below:

(a) The Fund follows the accrual basis of accounting except for refunds of employees' contributions which are reflected on the cash basis.

(b) The investment valuation and income measurement policies consist of:

(i) Fixed income investments:

Premiums and discounts of one percent or less of par value are reflected in income in the year of acquisition. All other premiums and discounts are amortized to income on a straight line basis over the term of the investment commencing with the year of acquisition.

Zero coupon bonds are valued at the date of purchase and at the end of the year based on the purchase yield and the remaining term to maturity. The difference in the value of the bond from the date of purchase or the previous year end to the current year end will be charged or credited to income in the current year.

The majority of the Fund's fixed income investment portfolio is held for the long term and a part of the portfolio is traded actively. For long term holdings, the gains or losses on disposition, before maturity, are amortized to income on a straight line basis over the remaining term of the investment to a maximum of 20 years. The unamortized balances remain as part of the book value of the total investments. For those which are traded actively, the accounting is segregated and one-fifth of the realized gains or losses is reflected in income in the year of disposition. The remaining four-fifths is reflected in the value of investment assets and amortized to income in equal amounts over the next four years.

(ii) Investment in subsidiary:

The investment in the wholly-owned subsidiary Superan-

nuation Resource Investment Corporation of Manitoba Inc. is accounted for on the equity method. For the purpose of preparing the financial statements of the Fund, the Fund management estimates the income from the subsidiary for the year. Any adjustment required to reflect actual income will be recorded in the subsequent year.

(iii) Equity investments:

Equity investments are recorded at cost.

Petroleum and natural gas, and limited partnership investments have restrictions on their disposition.

One-fifth of any realized gains or losses is reflected in income in the year of disposition. The remaining four-fifths is reflected in the value of the investment assets and amortized to income in equal amounts over the next four years.

One-fifth of the difference between the book value and the established market value of equity investments as at the end of the fiscal year is reflected in income and the offset reflected as an unrealized appraisal adjustment.

(iv) Real estate equity investments:

Income from real estate equity investments, evidenced by participating bonds, represents the Fund's proportionate share of the net cash flow generated by the underlying properties with no allowance having been made for depreciation. In the event the income from a property is insufficient to pay the cost of its operations, the Fund is liable to make additional payments, without limitation in amount, equal to its share of such a deficiency.

Pooled real estate investments are recorded at cost plus the proportionate share of earnings reported by the property manager.

(v) Provision for investment losses:

Effective January 1, 1984, 1/10 of 1% of the book value of the investment assets is transferred annually to the provision for investment losses from investment income to a maximum of the provision not exceeding 1% of the book value of investment assets.

Impairment in the value of investments, considered to be permanent by the Investment Committee, is charged to the provision for investment losses.

(vi) Foreign currency translation:

Assets recorded in foreign currency are translated into Canadian currency at the prevailing year end rate of exchange, while revenues and related transaction charges recorded during the year are translated at the existing month end prevailing rate of exchange.

The translation adjustments required for these transactions, together with foreign exchange on the purchase and sale of foreign currency are recorded in the accumulated unrealized foreign exchange account. One-fifth of the accumulated unrealized

foreign exchange account is reflected in income for the year.

(c) Debt due from the Province of Manitoba:

The Province of Manitoba assumed an accrued liability of $1,826,300 on account of its employees and pensioners as at May 1, 1939. The Province pays half-yearly interest on March 31st and September 30th at 4% per annum and may pay all or part of the debt at its option. In accordance with Section 24(1) of the Act, the aforementioned amount has been recorded as debt due from the Province.

(d) Furniture, fixtures and equipment:

Furniture, fixtures and equipment are recorded at a nominal fee of $1.00. These purchases are charged to operations in the year of acquisition.

(e) Computer:

Mini computer equipment costs and program development expenses are capitalized and amortized on a straight line basis over six years.

Microcomputer equipment and software expenses are expensed in the year of acquisition.

(f) Superannuation indexing adjustment account:

In accordance with amendments to the Act, effective July 1, 1977, a program of controlled indexing was implemented whereby 10.2% of employees' annual contributions are allocated to a superannuation indexing adjustment account. Interest is allocated to the account on a basis related to the yield earned by the Fund on its mortgages, bonds and debentures. The account is intended to fund 50% of the cost-of-living adjustment payments made to pensioners and beneficiaries and the non-matching employers are billed for 50% of the payments to their retired employees.

Effective July 1 of each year, cost-of-living superannuation adjustment payments are calculated in accordance with the formula set out in the Civil Service Superannuation Act, section 32.1(7). The formula is based on the Consumer Price Index increase in the previous calendar year and the increase in the calculated benefit index. Section 32.1(8) requires the calculated adjustment to be reduced if, in the opinion of the actuary, the adjustment would result in an unfunded liability in the superannuation indexing adjustment account as at December 31 of the preceding year.

The annual actuarial valuation of the superannuation indexing adjustment account as at December 31, 1986 revealed that $6,345,567 was available to actuarially finance additional cost-of-living increases for pensioners. Effective July 1, 1987, the Board approved and paid the actuarially calculated superannuation adjustment for 1987 in accordance with the formula set out in the Act, equal to:

a) 2.09% (1986—2.18%) of the total lifetime pension plus any previously granted adjustments in that allowance, and

b) 59¢ (1986—59¢) per month for each year of service, to a maximum of 35 years,

for those employees who retired before January 1, 1986. Employees who retired after that date, but before July 1, 1987, were paid a pro-rata portion of the adjustment. Beneficiaries of deceased

pensioners receive two-thirds of the adjustment that the pensioner would have been eligible for. The present value of the July 1, 1987 adjustment has been actuarially calculated to be equal to $5,583,500 as at December 31, 1986, leaving a balance of $762,067 available in the superannuation indexing adjustment account as at that date.

(g) Actuarial valuations:

(i) The financial statements do not take into account actuarial valuations and, therefore, do not reflect the financial position of the Fund on an actuarial basis. In accordance with the Act, an actuarial valuation and report is required every three years. The most recent actuarial report on The Civil Service Superannuation Fund, as at December 31, 1986, disclosed a surplus of $31,788,810.

(ii) The Board has a legislative requirement to pay as an annual administrative expense, one-half of the pension benefits paid by the Fund on behalf of its retired employees. On the basis of an actuarial report, the unfunded provision for the Board's employees as at December 31, 1987 is estimated to be $652,700 (1986—$474,048).

3. **Amendment to the Civil Service Superannuation Act in 1986**

The Fund was authorized to credit the Government of Manitoba and its agencies $83,853 per month from September 1, 1986 to August 31, 1989, amounting to $3,018,708 for the three year period, to reduce the employers' costs of the pension formula improvement made in 1986. The balance outstanding as at December 31, 1987 is $1,677,060 (1986—$2,683,296).

4. **Investment in subsidiary:**

The Superannuation Resource Investment Corporation of Manitoba Inc. (S.R.I.C.), a wholly-owned subsidiary of the Fund, was incorporated as a pension fund resource corporation under The Corporation Act of Manitoba on May 30, 1983 for the purpose of participating in oil and gas resource development projects on behalf of the Fund.

The actual results of the subsidiary operation for the year ended December 31, 1987 were not available at the time of preparation of these financial statements. The Fund management has estimated the net income of the subsidiary for 1987 to be $467,153 (1986—actual $863,735) and has reflected this estimate as income from subsidiary, per accounting policy, Note 2(b)(ii).

The Fund's investment in S.R.I.C. at December 31, 1987, after reflecting this estimate, is comprised of:

	1987	1986
Shareholder's advances	$5,408,469	$7,016,627
Capital stock	1	1
Retained earnings estimated prior year's adjustment to actual	467,153	754,343
	109,392	—
	576,545	754,343
Investment in subsidiary	$5,985,015	$7,770,971

During the year, the Fund was not required to provide an advance (1986—$2,500,000) to S.R.I.C. and recovered $1,095,633 (1986—$563,389) of previous advances from S.R.I.C.

5. **Money Purchase Accounts Plan:**

Manitoba Regulation 77/85 under the Civil Service Superannuation Act established a Money Purchase

Accounts Plan effective January 2, 1985. Under this regulation, eligible individuals may transfer to the Plan an amount from either the Fund or pension plan of a prior employer, to provide for an annuity or other settlement in the future. The Plan is administered and accounted for separately by the Board for which the Board charges the Plan with an administration fee. The accumulated value of a participant's account, upon election of an annuity under the Plan, will be transferred to an annuity reserve as part of the reserve for present and future benefits of the Fund.

6. **Accumulated unrealized foreign exchange:**

An analysis of (gains) or losses in the accumulated unrealized foreign exchange account is shown below:

	1987	1986
Balance, beginning of year	$ (192,564)	$ (700,135)
Foreign exchange on purchase and sale of foreign currency	1,057	(1,197,126)
Translation of transactions	287,156	487,775
Net translation of current assets	114,441	1,168,781
	210,090	(240,705)
Transfer to income	(42,018)	48,141
Balance, end of year	$ 168,072	$ (192,564)

7. **Comparative figures:**

Comparative figures for the year ended December 31, 1986 have been restated to reflect the change in presentation of Investment Related Expenses which are summarized below:

	1987	1986
Direct	$ 168,917	$ 108,430
Administrative	105,753	84,284
	$ 274,670	$ 192,714

Previously these expenses were presented on Schedule 4. The Board approved the allocation of identifiable costs as Direct expenses. Where direct allocation is not practical, expenses are allocated to the Investment Department on a prorated basis as Administrative expenses.

Summary of Actuarial Report as at December 31st, 1986

The Civil Service Superannuation Act requires an Actuarial Report on the financial position of the Fund to be made at least once every three years.

The latest of these Reports was prepared as at December 31st, 1986, by John A. Turnbull, F.S.A., F.C.I.A., and Louis Ellement, F.S.A., F.C.I.A., of Turnbull and Turnbull, Actuaries for the Fund.

The financial position of the Fund is shown in the Valuation Balance Sheet. For present participants in the Fund, the Valuation Balance Sheet compares:

(a) the present value of the liabilities of the Fund in respect of the benefits promised, and

(b) the present value of the funds available to finance these liabilities as they become due.

The results of the Report are based on a set of assumptions. Assumptions are chosen for each of the factors which will affect the Fund financially in future years. Each assumption is based on relevant past experience. The experience is studied over long enough periods of time to produce reliable information. The experience related to the utilization of benefits is studied over nine-year periods and the experience related to salaries, interest credits and investments is studied over 20-year periods.

The actual experience during 1984, 1985 and 1986 was added to the experience obtained from previous years to produce the total experience that was used for the study of the utilization of benefits. Where necessary, assumptions used in the previous Actuarial Report were modified to reflect the results of this study of the experience.

The results of the Report indicate that the Fund had a surplus of $31,788,810 as at December 31st, 1986. This surplus exists even though all of the surplus revealed at December 31st, 1983 plus a portion of the experience gain during the three years were utilized to finance the increase in liabilities caused by the amendments to the Act which improved benefits.

The amendments increased the liabilities by $34,904,800 as at December 31st, 1983.

The Actuaries indicate that all or a portion of the surplus could be allocated to the Superannuation Adjustment Account. This would help the Account finance future increases in pensions after the commencement of the pensions and thus provide some assurance that future increases in pensions will be consistent with those in the past.

The Valuation Balance Sheet as at December 31, 1986 follows:

Civil Service Superannuation Fund

Valuation Balance Sheet

as at December 31, 1986

ASSETS

Invested Assets:		
Fixed Income (amortized cost)	$522,024,121	
Less: Provisions for investment losses	(697,624)	
Superannuation Adjustment Account	(39,014,467)	$482,312,030
Equities (adjusted book value)		141,580,889
Net Invested Assets		623,892,919
Computer Equipment and Systems Development		102,662
Amount due from Province under Section 24(1)		1,826,300
Accounts Receivable		434,190
Value of Future Contributions Expected to be Received		
—present employees	$607,852,100	
—employers who are matching employee contributions	7,426,200	615,278,300
TOTAL ASSETS		$1,241,534,371

LIABILITIES

Value of Fund's Liabilities in respect of Current Benefits		
—retirement pensions	$137,290,300	
—survivors' pensions	11,467,000	$148,757,300
Value of Fund's Liabilities in respect of Future Benefits Earned for Service to December 31st, 1986		
(a) present employees		
—retirement pensions	$350,685,500	
—survivors' pensions	26,143,900	
—deferred pensions	39,411,000	
—cash settlements on death	1,917,900	
—cash settlements on termination	15,944,700	
—refunds due to 50% test	7,045,200	
(b) former employees		
—deferred pensions	6,335,600	447,483,800

Civil Service Superannuation Fund

Valuation Balance Sheet

as at December 31, 1986

Value of Fund's Liabilities in respect of Future Benefits Expected to be Earned by Present Employees for Service on and after January 1st, 1987		
—retirement pensions	$478,905,600	
—survivors' pensions	38,663,400	
—deferred pensions	54,898,100	
—cash settlements on death	6,748,400	
—cash settlements on termination	3,883,800	
—refunds due to 50% test	17,747,300	600,846,600
Value of funds to be transferred under Reciprocal Agreements		1,646,400
Value of deferred pensions to be paid as a result of transfers to reciprocating Manitoba employers		4,356,400
Accounts Payable		1,008,110
Present value of amounts to be credited to employers		2,381,500
Provision for Future Administration Expenses		3,060,600
Instalment payments to include prior non-pensionable employment under Section 60		109,878
Instalment payments to include periods of war service under Section 33		94,973
TOTAL LIABILITIES		$1,209,745,561
SURPLUS		$ 31,788,810